Beaver County Freedom District Court 36-2-01

Audit Report
For the Period January 2006 through December 2007

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DAVID A. ROSSI CONTROLLER



WILLIAM CALHOON CHIEF DEPUTY CONTROLLER ALBERT A. TORRENCE SOLICITOR

BEAVER COUNTY COURTHOUSE THIRD STREET – BEAVER, PENNSYLVANIA 15009-2196 TELEPHONE: Area Code 724-728-5700

May 22, 2008

Mr. Edward Howe District Court 36-2-01 559 Third Avenue Freedom, PA 15042

Dear Mr. Howe:

We have audited the financial records of District Court 36-2-01 in the county of Beaver of the state of Pennsylvania for the period <u>January 1, 2006 through December 31, 2007</u>. Based upon the audit we have issued our report thereon dated May 22, 2008.

We conducted our audit in accordance with generally accepted governmental auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Based upon our review of the financial records, we have made the following observations and recommendations as detailed in this report.

David A. Rossi

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Beaver County Controller

AUDIT SCOPE:

The scope of this audit encompasses the period from January 1, 2006 to December 31, 2007.

AUDIT OBJECTIVES:

Through the completion of internal control questionnaires, control tests, substantive tests, and observation, the following audit objectives were accomplished for this audit:

- Prepare a financial statement for each year reviewed
- Evaluate controls over the District Court checking account and change fund
- Ensure that funds are deposited on the same day received
- Ensure that funds received are disbursed to the proper payees
- Ensure that funds held in escrow are adequate
- Ensure that funds receipted are applied to the proper case
- Ensure that costs and fines are properly split upon receipt
- Ensure that reports and funds due to the Commonwealth were correct and remitted in a timely manner
- Ensure that proper documentation was maintained in the case file
- Evaluate the controls over cash
- Evaluate the controls over purchasing and the administration of the budget
- Evaluate controls over general office procedures

DISTRICT COURT 36-2-01 STATEMENT OF REVENUES AND EXPENSES FOR THE YEAR ENDING DECEMBER 31, 2006

Beginning cash balance (1/1/2006)		\$	28,730.79
Receipts:			
Traffic Non-Traffic Collateral Criminal, Civil, etc.	\$ 412,827.54 143,759.42 84,899.64 <u>80,894.75</u>		
Total receipts		,	722,381.35
Disbursements:			
Commonwealth of Pennsylvania Beaver County Restitution & Refund Bail / Collateral Server Fees Rochester Boro Rochester Township Economy Boro New Sewickley Township Conway Boro Freedom Boro East Rochester Boro Freedom Area School District Rochester Area School District Ambridge Area School District Rochester Public Library	\$ 404,055.55 96,130.79 71,685.93 40,473.84 27,028.03 22,498.37 22,019.63 21,949.53 7,296.95 6,237.61 3,343.00 660.34 117.55 50.00 3.63		
Total disbursements		(7	(23,550.75)
Adjustments: Adjustment for void checks Miscellaneous Adjustment			673.14 (12.95)

Ending cash balance (12/31/2006)

DISTRICT COURT 36-2-01 STATEMENT OF REVENUES AND EXPENSES FOR THE YEAR ENDING DECEMBER 31, 2007

Beginning cash balance (1/1/2007)	•	\$	28,221.58
Receipts:			
Traffic	\$ 495,970.83		
Collateral	144,762.59		
Non-Traffic	111,590.59		
Criminal, Civil, etc.	<u>91,876.80</u>		
Total receipts		;	844,200.81
Disbursements:			
Commonwealth of Pennsylvania	\$ 430,169.25		
Restitution & Refund Bail / Collateral	109,475.19		
Beaver County	100,786.19		
Server Fees	54,520.97		
Rochester Boro	46,116.60		
Rochester Township	27,843.86		
New Sewickley Township	20,047.02		
Economy Boro	16,444.72		1
Freedom Boro	6,562.50		
Conway Boro	5,954.63		
East Rochester Boro	2,294.63		
Rochester Area School District	1,856.04		
Freedom Area School District	1,617.61		
Beaver Boro	16.13		
Homewood Boro	2.56		
Rochester Public Library	<u>2.09</u>		
Total disbursements		(8	323,709.99)
Adjustments:			
Adjustment for void checks			444.14
Miscellaneous Adjustment			12.95
Return item not on the system			(<u>60.00</u>)
Ending cash balance (12/31/2007)		\$	<u>49.109.49</u>
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DISTRICT COURT 36-2-01 NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD JANUARY 1, 2006 THROUGH DECEMBER 31, 2007

- Note 1: <u>Summary of Significant Accounting Policies</u> District Court 36-2-01 reports on the cash basis of accounting. Under the cash basis of accounting revenues are recognized when received and expenses recognized when the disbursement is made.
- Note 2: <u>Traffic Receipt/Disbursement Categories</u> -Transactions resulting from summary proceedings for offenses arising under the Pennsylvania Motor Vehicle Code and violations of local parking ordinances.
- Note 3: <u>Non-Traffic Receipt/Disbursement Categories</u> -Transactions resulting from non-traffic summary proceedings initiated by a police officer or private citizen.
- Note 4: <u>Criminal, Civil, etc. Receipt Categories</u> -Transactions resulting from misdemeanor and/or felony charges brought by a police officer or private citizen. Transactions resulting from Landlord-Tenant actions or, civil actions filed for tortious conduct or contractual issues.
- Note 5: Collateral Receipt Categories Miscellaneous funds and funds deposited in escrow.

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BEAVER COUNTY COURTHOUSE THIRD STREET - BEAVER, PENNSYLVANIA 15009-2196 TELEPHONE: Area Code 724-728-5700

May 22, 2008

Mr. Edward Howe District Court 36-2-01 559 Third Avenue Freedom, PA 15042

Report on Internal Control Structure

We have audited the accompanying statement of account of the District Court 36-2-01, Beaver County, Pennsylvania, for the period January 1, 2006 to December 31, 2007, and have issued our report thereon dated May 22, 2008.

We conducted our audit in accordance with generally accepted auditing standards and <u>Government Auditing Standards</u>, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the District Court 36-2-01, Beaver County, Pennsylvania, for the period January 1, 2006 to December 31, 2007, we considered the office's internal control structure to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of the District Court is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the financial statements in accordance with prescribed policies. Because of inherent limitations in any internal control

structure, errors or irregularities may nevertheless occur and not be detected. Also, future reliance on any evaluation of the structure, past or current, is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the internal control structure we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation. Additionally, we assessed control risk for the internal control structure. Compliance with applicable laws and regulations was considered when assessing control risk for the internal control structure.

We noted certain matters involving the internal control structure and its operation that we consider reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the office's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce, to a relatively low level, the risk that material errors or irregularities affecting the financial statements being audited may occur and not be timely detected by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses as defined above. We noted the following:

- Improvement was needed in the processing procedures for Jail Time Served Compensation Adjustments
- Improvement was needed in case follow-up actions
- Improvement was needed in the control over postage funds

For further elaboration on these weaknesses, refer to the "Observations and Recommendations" section of this audit report.

This report is intended solely for the information and use of the Office of the Controller, management, and others within the administration. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

David A. Rossi

Beaver County Controller

OBSERVATIONS AND RECOMMENDATIONS

Observation 1: <u>Improvement was needed in the processing procedures for Jail Time</u> <u>Served Compensation Adjustments</u>

A Jail time adjustment is used to record jail time served pursuant to 75 Pa.C.S.A. § 6504 or 42 Pa.C.S.A. § 9758(c) and Pa.R.Crim.P. Rule 456. Time served compensation adjustments can be allowed if the defendant has been sentenced to pay costs and fines, a default in payment has occurred, and a payment determination hearing has been held to ascertain if the defendant was able to pay.

After a default in payment, if a sentence of imprisonment is imposed a written order imposing sentence must be issued, signed by the issuing authority and a copy must be given to the defendant per PA R. Crim. P. 456.

The Freedom District Court processed 150 Jail Time Served adjustments in 2007 totaling \$(25,708.31). An audit review was preformed of 97 jail time compensation adjustments totaling \$(17,357.80) for 92 cases and 38 defendants. The following was noted:

- 1. For 86 of the 92 cases reviewed there was no documentation in the case file of MDJ authorization for the Time Served adjustment. This amounted to a reduction of fines and costs totaling \$16,021.47 without documented MDJ approval in the case files.
- 2. MDJ approval documentation was in the case files for 6 cases with jail time compensation adjustments totaling \$(1,336.33), however, the documentation was found to be incomplete. The authority to adjust costs and fines was given with hand written sticky notes showing only the words "Time Served" or with an "OK" scribbled on the Jail documentation indicating dates of incarceration. These notes were not dated and did not detail which defendant or which docket numbers should receive credit or for how much. It was not clearly indicated if all cases for a particular defendant should be adjusted or if only the one case file containing the note was to receive credit for time served. [For 2 cases with adjustments totaling \$(291.50) a notation of "Time Served" was found by the Auditor in a different case file of the same defendant.]
- 3. After a default in payment, if a sentence of imprisonment is imposed a written order imposing sentence must be issued, signed by the issuing authority and a copy must be given to the defendant per PA R. Crim. P. 456. None of the 92 case files reviewed contained a written order imposing the sentence of imprisonment for the jail time compensation.

- 4. To be in accordance with payment default procedures as described in PA R. Crim. P. 456, after a default in payment if a sentence of imprisonment has been imposed the defendant must be given a 30-day period to enter an appeal. No defendants had a signed waiver of the waiting period in the case file. Without knowledge of the date of sentencing it was impossible to determine if the 30 day period had lapsed.
- 5. No documentation of the dates of incarceration was present for 54 cases with a total adjustment of \$(10,552.79). Twenty-five cases had faxed documentation from the jail and for 13 cases the documentation was found in another case file of the same defendant.

Recommendation:

Time served adjustments should only be authorized after a default in payment has occurred.

Prior to processing a jail time compensation adjustment, a payment determination hearing should be held and a determination should have been made that the defendant was <u>able</u> to pay.

After a sentence of imprisonment is imposed, as required by PA R. Crim. P. 456, a written order imposing sentence must be issued, signed by the issuing authority and a copy must be given to the defendant.

After a sentence of imprisonment is imposed, as required by PA R. Crim. P. 456, the effective date of imprisonment should assure that the 30-day appeal period has elapsed, or a waiver of this waiting period should be obtained from the defendant.

Prior to processing a jail time compensation adjustment, commitment information should be completely and accurately entered onto the PA State DJ computer system. The dates entered should reflect the actual dates of incarceration which apply to the adjustment.

A form should be completed and signed by the Magisterial District Justice to indicate his authorization and approval of the time served compensation adjustment. This form should contain at a minimum the date, defendants name, docket number, the amount of costs and/or fines to be reduced, and any other conditions or requirements prior to allowing the jail time compensation adjustment.

Observation 2: Improvement was needed in case follow-up actions

Summary Trial Scheduled Report:

A report is available listing cases for which a Summary trial was scheduled but no disposition or further action had then been taken. The purpose of the report is to identify cases which might have been lost or forgotten.

When the auditor obtained this report on 5/15/08 a total of 134 cases were listed. Of the eight cases selected for review, 4 cases had a disposition of dismissed, discharged, or withdrawn which was inadvertently not entered onto the computer system.

Nightly Reports:

Summonses to Issue Report On 5/19/2008, 251 cases were listed for which a Summons was issued by first class mail and then no further action was taken for more than two weeks. Dates ranged back to 1/22/2007.

DL-38 to Print Report:

On 5/14/2008, 537 traffic cases were listed indicating, as a result of a defendant's failure to respond, or as a result of a defendant's failure to pay fines and costs, that it was time to print either a defendant copy or a Penn DOT copy of the DL-38. - Dates ranged back to 1/25/2006.

Pre-Warrant Notices to Print: On 5/14/2008, 582 summary cases were listed on this report indicating that the case had a guilty disposition and required a Notice of Impending Warrant of Arrest to be sent to the defendant because:

- 1) no payment was made on the case and a time payment schedule was not created
- 2) the defendant had defaulted on a time payment
- 3) a previously deposited collateral payment, when applied, did not satisfy the case balance.
- Dates ranged back to 2/14/2002.

Warrants to Print -

Failure to Respond:

On 5/14/2008, 2546 cases were listed indicating that it was time for a warrant to be printed and issued because either:

- 1) the defendant failed to respond to a citation or summons
- 2) a summons was returned undeliverable
- 3) the defendant entered a not guilty plea and failed to appear for a hearing or trial and the Magisterial District Judge determined that the hearing or trial should not be held in the defendant's absence.
- Dates ranged back to 6/8/1992

Warrants to Print –

Failure to Pay Report: On 5/14/2008, 1276 cases were listed indicating that the defendant defaulted in a payment and failed to respond to the Notice of Impending Warrant of Arrest within 10 days.

- Dates ranged back to 10/26/1998

Recommendation:

The above reports were designed to aid in the management of work flow at the District Courts. They should be reviewed periodically to assure that cases are not forgotten and that proper follow-up actions are being performed on all cases filed.

Observation 3: Improvement was needed in the control over postage funds

Freedom District Court maintains an account with the U.S. Postal Service through Pitney Bowes. At the time of audit inquiry on May 8, 2008 the Freedom District Court control record showed a balance of \$2,003.00, however, the account balance as reported by Pitney Bowes was \$4,003.00.

Recommendation:

We recommend that Pitney Bowes be contacted periodically to verify the District Court's account balance. This balance be should be reconciled to the available funds control record maintained by the court personnel. After the remaining outstanding balance is depleted, postage funds should be requested from the County only as needed, and the account balance should be kept to a minimum.

An exit conference was held on May 22, 2008 at District Court 36-2-01 for the purpose of discussing the items presented in this report. Those in attendance were:

District Court 36-2-01

Edward Howe - District Justice

Linda Ippolito - Office Manager

Beaver County Controller's Office

Cheryl Spagnola - Auditor

The results of the audit were discussed in their entirety during this conference.

A form has been enclosed with this report to be completed by the District Court. This form restates all findings noted in the audit. The District Court is requested to complete the corrective action section for each finding. If no corrective action has been taken, please state this. Return this form to the Office of the Controller within thirty days of receipt. This form will be incorporated and become a part of this report. As a part of the Office of the Controller's normal reporting procedure, a copy of this report along with your responses will be distributed to the Beaver County Court Administrator and will be posted in the Controller's section of the Beaver County website.



COUNTY OF BEAVER

EDWARD C. HOWE

MAGISTERIAL DISTRICT JUDGE

Tel 724-774-0840

Magisterial District 36-2-01 559 Third Avenue Freedom, PA 15042 Fax 724-774-3231

July 9, 2008

David A. Rossi Beaver County Controller Beaver County Courthouse Beaver, PA 15009

Dear Mr. Rossi,

This letter is in response to the recent audit conducted by your department. The findings have indicated our biggest problem is the failure to keep up with DL-38's and pre-warrants for failure to pay. This totals over 5,200 cases. I am very much aware of the findings and at the same time concerned about it. My problem is trying to correct it. Our caseload from 2003 through 2006 averaged 6, 258. In 2007, we had 7,034 cases and this year we are projecting over 9,000 cases.

The problem we encounter is a shortage in office staffing. We have four full-time people and are supplemented by one part-time person. With vacations and sick days, we vary from 3 to 4 people working six months of the year. With this workload, we cannot keep up with the situation. The Court Administrator is aware of our problem and has promised to work on helping us. Hopefully, this will be soon, so we can keep up with your recommendations.

Sincerely

Edward C. Howe

Magisterial District Judge